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Such was not the case this week with the Housing Bill (H.R. 3221). This bill has been cooking all year and there were lots of moving pieces. In the end, it was over 700 pages long and was a grab bag of housing, regulatory and tax provisions. Some of these provisions I supported. Others I opposed viscerally. I wasn't sure what I was going to do. So, I broke out the major provisions of the bill into the categories of things I hated, things I was okay with and things that could go either way. Here is how I saw those things:

Provisions I can't stand:

- The bill requires that Fannie Mae and Freddie Mac contribute 4.2 basis points of each new mortgage they make to an "affordable housing trust fund." This is a nearly $1 billion per year "slush fund" that would go primarily to organizations and community development agencies to promote low-income housing. This is just a huge handout to a small number of politically active private organizations. Furthermore, we do not need to put upward pressure on mortgage rates right now. I hate this.
- The bill gives $4 billion to local governments to buy foreclosed housing properties. So, we are going to have a bunch of local, federally-funded RTCs out there. This is a waste of money and a bad idea to have more government owned housing.
- $180 million for counseling on foreclosure mitigation, $30 million of which is earmarked to pay for attorneys.
- This bill increased the debt limit (the maximum amount the national debt is allowed to reach) from $9.815 trillion to $10. 615 trillion. This bill could end up being quite expensive.

Provisions I support:

- The bill puts a major backstop behind the "government sponsored enterprises" Fannie Mae and Freddie Mac. These entities have been around for decades and they hold or guarantee about 50% of all home mortgages in the United States. But they are in trouble and there has always been an "implied guarantee" by the federal government for their debt. The "implication" of this guarantee has never been tested. It's being tested now. This bill makes the implied guarantee explicit and gives the Treasury Department the right to take either entity over with preferred stock if they get in a capital problem and it is necessary. This explicit guarantee and the option to purchase stock expire after 18 months. Without this, it is possible that either or both of these companies could fail.
- The bill creates the Federal Housing Finance Agency (FHFA) as a new powerful agency to regulate Fannie and Freddie. Much of the reason these companies are in trouble is because they were chasing earnings and bought some riskier loans which were way beyond their government chartered mission. This new regulator will keep that from happening again.
- It permanently raises the "conforming loan limit" from $417,000 currently to 115% of the median priced home in an area, up to $625,000. And the Secretary of the Treasury can raise it to $725,000 in some circumstances. Furthermore, this limit is indexed to and will rise with inflation. This is very important for places like Orange County where the median house price was in the $700,000’s for a while. It means that the cheaper loans, guaranteed by Fannie and Freddie, will be available to a lot more average homebuyers in high cost areas. This, of course, is meaningless unless Fannie and Freddie exist and are solvent.
- There are some new standards for mortgage brokers so some of the bad practices of the last few years will no longer be allowed.
- The Federal Housing Administration (FHA), which had not been changed much in years, was modernized so that it can better help people get home loans and its limits were raised too.

- Gives a refundable tax credit of up to $7,500 for first time homebuyers with incomes below $150,000 (joint), until July 1, 2009 and allows people who do not itemize tax deductions to nevertheless deduct up to $1,000 (joint) of property taxes on their tax return.

Provisions where my feelings are mixed:

- Any bank that holds a mortgage on the borrower's primary residence that is delinquent can write that mortgage down to 90% of its current appraised value and lower the payments to the borrower and the FHA will guarantee that loan. The good part of this is that it will allow a bunch more people to work their way out of their mortgage problems without foreclosing. This will help the market in general. The bad part is that it will also serve to bail-out some of the companies that made these mortgages who don't deserve to be bailed out, particularly with your tax dollars. It also allows these banks to give the FHA only those loans which are the worst of the worst, so the taxpayer loses anything after the initial write-down and not the bank. The bank/mortgage company gets to keep their good, performing loans.

So, I had a lot of angst in the week leading up to this bill. If only a couple of those slush funds could get removed from the bill and the FHA guarantee part changed so that we weren't helping some of the very people who got us in this mess, then I could have supported the bill with little reservation and the cost to the taxpayer would be much less. Just let me rework this bill and it will be fine! But alas, the 434 other people I work with had a different idea. As the week and the bill progressed, those changes did not happen.

I am very, very worried about the housing and financial markets. As difficult as things have been, I fear that the interconnectedness of all of these loans and their related securitizing could still result in a spiraling down that would be hard to stop and would make the economy today look good. I don't like the way Fannie and Freddie are constructed or how they have operated, and I want to change this. But the fact is that right now we cannot afford to have them fail. If they were to fail, it would increase mortgage rates, take 50% of the capacity out of an already constricted mortgage market and spread the big bank problems in regional banks across America (the vast majority of whom are fine now) as the Fannie and Freddie guarantees of their mortgages became worthless. This is a doomsday scenario that cannot be allowed to occur.

And, even though we are helping some who don't deserve help, we will help others who do. If this bill serves to stabilize the still falling housing market, it will indirectly help all of us by keeping the economy from falling further (at least for this reason, energy is another story). The bill is costly, but not nearly as costly as not taking every step to forestall a full-blown recession or worse.

If things go as we hope, the Treasury department will never have to step in to Fannie and Freddie. Secretary Paulson believes that there is a better than 50% chances that the now explicitly federal guarantee of their debt will enable them to get the liquidity they need to survive in the private markets. Let's hope so. That will mean that taxpayers won't actually have to pay anything. And, I don't want to see the mortgage market in the US nationalized (socialized) as some of my colleagues do. If Fannie and Freddie make it, we still have work to do so they don't get in this kind of position again. But at least it won't be a completely government run agency, as it never should be. By the way, in no case, should the shareholders or executives of these companies be protected. They have lost and should lose from their mistakes.

So, I voted for the bill. I have no regrets now. I hope I never do. I hope and believe that this bill will provide reassurance and support to markets and make this economic downturn shallower and shorter than it otherwise would be. If so, inflation will be our next big economic issue. The bill passed the House by a vote of 272-152 and it should pass the Senate and be signed by the President by the end of next week. If you want to see it, here is a 2 minute clip of my speech on the floor supporting the bill. **Click** Here

Until next week, I remain respectfully,

Congressman John Campbell